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Started on Sunday, 29 May 2022, 5:23 PM

State Finished

Completed on Sunday, 29 May 2022, 5:37 PM

Time taken 14 mins 4 secs

Marks 11.00/15.00

Grade 14.67 out of 20.00 (73%)

Question 1

Incorrect

Mark 0.00 out of 1.00

Consider the following statements:

- **Statement A:** A market maker is an entity that holds inventory of an asset and waits for profitable chances to sell it.
- **Statement B:** Market makers hold inventory, so they are ready to trade.

Which of the statements given above is correct?

Select one:

- ☐ Neither statement A nor B
- ☐ Both statement A and B
- ☐ Only statement B
- ☒ Only statement A

✖

Question 2

Incorrect

Mark 0.00 out of 1.00

Consider the following statements:

- **Statement A:** Brokers are well-positioned to make profitable investments for themselves.
- **Statement B:** The primary goal of broking is to earn fees, not investment profits.

Which of the statements given above is correct?

Select one:

- ☐ Neither statement A nor B
- ☐ Only statement A
- ☒ Only statement B
- ☐ Both statement A and B

✖

Question 3

Correct

Mark 1.00 out of 1.00

Consider the following statements:

- **Statement A:** The buy side refers to the activities of investors in the financial markets.
- **Statement B:** Fund managers earn fees for managing assets.

Which of the statements given above is correct?

Select one:

- ☐ Only statement A
- ☒ Both statement A and B
- ☐ Neither statement A nor B
- ☐ Only statement B



Question 4

Incorrect

Mark 0.00 out of 1.00

Consider the following statements:

- **Statement A:** Brokers are highly familiar with the electronic systems of their clients.
- **Statement B:** Asset managers provide specialized advice to brokers about how to execute trades.

Which of the statements given above is correct?

Select one:

- ☐ Only statement A
- ☐ Both statement A and B
- ☒ Only statement B
- ☐ Neither statement A nor B



Question 5

Correct

Mark 1.00 out of 1.00

Consider the following statements:

- **Statement A:** The sell side refers to the selling of investment securities when their prices are high.
- **Statement B:** Hedge funds have the purpose of creating portfolios that compliment the risk characteristics of other investments.

Which of the statements given above is correct?

Select one:

- ☐ Only statement A
- ☒ Only statement B
- ☐ Both statement A and B
- ☐ Neither statement A nor B



Question 6

Correct

Mark 1.00 out of 1.00

Consider the following statements:

- **Statement A:** A market maker faces market risk if they charge a large bid-ask spread.
- **Statement B:** Market makers can earn profits over and above the bid-ask spread profit, only if they're willing to take on market risk.

Which of the statements given above is correct?

Select one:

- ☐ Only statement A
- ☒ Only statement B
- ☐ Both statement A and B
- ☐ Neither statement A nor B



Question 7

Correct

Mark 1.00 out of 1.00

Why are brokers well-positioned to become dealers?

Select one:

- ☐ They are not, the buy-side is better positioned to make investment profits
- ☐ The regulation broker-dealers is less strict than the regulation on brokers.
- ☐ They can pass all dealing-related risk to their brokerage clients.
- ☒ They are well connected to other market participants.



Question 8

Correct

Mark 1.00 out of 1.00

Underwriter spread of stock is \$17000 and net proceeds of stock are \$24000 then gross proceeds are

Select one:

- ☐ 7000
- ☐ 17000
- ☐ 24000
- ☒ 41000



Question 9

Correct

Mark 1.00 out of 1.00

Consider the following statements:

- **Statement A:** A market maker earns the bid-ask spread on every pair of opposing trades.
- **Statement B:** A small bid-ask spread means that the market can trade more freely and liquidly.

Which of the statements given above is correct?

Select one:

- ☐ Only statement B
- ☐ Only statement A
- ☐ Neither statement A nor B
- ☒ Both statement A and B



Question 10

Correct

Mark 1.00 out of 1.00

The average value of a stock's price over a rolling 50 day period is

Select one:

- ☐ The 50 day adjustment point
- ☒ The 50 day moving average
- ☐ The 50 day consensus term
- ☐ The 50 day moving and adjustment point



Question 11

Correct

Mark 1.00 out of 1.00

Consider the following statements:

- **Statement A:** A mutual fund is a collective investment vehicle.
- **Statement B:** Investment banks are sell-side players.

Which of the statements given above is correct?

Select one:

- ☐ Neither statement A nor B
- ☐ Only statement A
- ☐ Only statement B
- ☒ Both statement A and B



Question 12

Correct

Mark 1.00 out of 1.00

Consider the following statements:

- **Statement A:** Most investments decisions are made by professional asset managers.
- **Statement B:** Asset allocation refers to how asset managers allocate their teams' resources to research various investment areas.

Which of the statements given above is correct?

Select one:

- ☐ Both statement A and B
- ☐ Neither statement A nor B
- ☐ Only statement B
- ☒ Only statement A



Question 13

Correct

Mark 1.00 out of 1.00

What does active asset management involve?

Select one:

- ☒ Higher fees than passive investment.
- ☐ Avoiding illiquid and long-dated instruments.
- ☐ Giving the investor a greater role when investing, and minimizing the asset manager's role
- ☐ Trying to mimic the activity of whole buy side.



Question 14

Correct

Mark 1.00 out of 1.00

What type of entity are brokers classified as?

Select one:

- ☐ A buy-side entity, because they have their own dealing account.
- ☒ A sell-side entity, because they assist with the buying of investments.
- ☐ A buy-side entity, because they buy securities for their clients.
- ☐ A sell-side entity, because they are an important source of consumer information.



Question 15

Incorrect

Mark 0.00 out of 1.00

Why is an investment bank classified as a sell-side entity?

Select one:

- ☒ They buy primary equity and resell it on the secondary market.
- ☐ They assist in the issuance of securities and sell derivatives.
- ☐ They make speculative trades.
- ☐ They are classified as a buy-side entity.



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